

# Senate File 139 - Introduced

SENATE FILE \_\_\_\_\_  
BY BARTZ

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act providing for a residual biomass tax credit, and including  
2 effective and applicability dates.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
4 TLSB 2009XS 83  
5 da/rj/5

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1 1 Section 1. NEW SECTION. 422.11X RESIDUAL BIOMASS TAX  
1 2 CREDIT.  
1 3 1. The taxes imposed under this division, less the credits  
1 4 allowed under section 422.12, shall be reduced by a residual  
1 5 biomass tax credit as allowed under section 469.41.  
1 6 2. This section is repealed December 31, 2016.  
1 7 Sec. 2. Section 422.33, Code 2009, is amended by adding  
1 8 the following new subsection:  
1 9 NEW SUBSECTION. 11D. a. The taxes imposed under this  
1 10 division shall be reduced by a residual biomass tax credit as  
1 11 allowed under section 469.41.  
1 12 b. This subsection is repealed December 31, 2016.  
1 13 Sec. 3. Section 469.31, Code 2009, is amended by adding  
1 14 the following new subsections:  
1 15 NEW SUBSECTION. 4A. "Biofuel" means a combustible liquid  
1 16 or gas derived from a biomass that alone or in combination  
1 17 with other compounds is capable of fueling an engine or being  
1 18 burned to produce steam for industrial heating. "Biofuel"  
1 19 includes but is not limited to ethanol or biodiesel as defined  
1 20 in section 214A.1.  
1 21 NEW SUBSECTION. 4B. "Biofuel manufacturer" means a  
1 22 biobased materials industry organized as a business  
1 23 association in this state that produces biofuel.  
1 24 NEW SUBSECTION. 11. "Residual cellulosic biomass" means  
1 25 that type of cellulosic biomass that does not have nutritional  
1 26 or caloric value when fed to agricultural animals, including  
1 27 but not limited to wheat and rice straw, corn stalks and cobs,  
1 28 seed husks and hulls, and manure.  
1 29 Sec. 4. Section 469.31, subsection 7, Code 2009, is  
1 30 amended to read as follows:  
1 31 7. "~~Cellulosic biomass renewable fuel~~ biomass" means  
1 32 ~~renewable fuel derived from a lignocellulosic or~~  
~~1 33 hemicellulosic lignocellulosic matter that contains any~~  
~~1 34 combination of lignin, cellulose, or hemicellulose that~~  
~~1 35 comprises at least sixty-five percent of the material and dry~~  
~~2 1 matter basis. "Cellulosic biomass" includes matter that is~~  
~~2 2 deriving from nonfood or animal feed sources and available on~~  
~~2 3 a renewable or recurring basis, including dedicated energy~~  
~~2 4 crops and trees, wood and wood residues, plants, grasses,~~  
~~2 5 agricultural residues, fiber, animal wastes and other waste~~  
~~2 6 materials, refuse-derived fuel, and municipal solid waste.~~  
~~2 7 7A. "Cellulosic biomass renewable fuel" means a renewable~~  
~~2 8 fuel derived from cellulosic biomass.~~  
2 9 Sec. 5. NEW SECTION. 469.41 RESIDUAL BIOMASS TAX CREDIT.  
2 10 A residual biomass tax credit is allowed under this  
2 11 section. The tax credit is allowed against the taxes imposed  
2 12 in chapter 422, division II, as provided in section 422.11X,  
2 13 and in chapter 422, division III, as provided in section  
2 14 422.33.  
2 15 1. The purpose of the tax credit is to stimulate the  
2 16 increased use of residual cellulosic biomass as an input in  
2 17 the manufacture of a biofuel or other forms of renewable  
2 18 energy.

2 19 2. The tax credit equals ten dollars for each usable ton  
2 20 of residual cellulosic biomass as measured on a dry matter  
2 21 basis harvested, stored, and delivered to a biofuel  
2 22 manufacturer. An assay will be performed by the purchaser of  
2 23 biomass to determine the usable content and unusable portions  
2 24 shall be discounted proportionately. A taxpayer shall not  
2 25 claim a tax credit in excess of thirty-five thousand dollars  
2 26 in any tax year.

2 27 3. A taxpayer's tax return shall include all of the  
2 28 following:

2 29 a. A tax credit certificate issued by the office attached  
2 30 to the taxpayer's tax return for the tax year for which the  
2 31 tax credit is claimed.

2 32 (1) The office must review and approve an application for  
2 33 a tax credit as provided by rules adopted by the office. The  
2 34 office may approve the application and issue a certificate  
2 35 only if it determines that the taxpayer and the biofuel  
3 1 manufacturer are qualified for the tax credit.

3 2 (2) A tax credit certificate shall contain the taxpayer's  
3 3 name, address, and tax identification number, and any other  
3 4 information required by the office. The tax credit  
3 5 certificate shall only list one type of tax to which the tax  
3 6 credit may be applied. The tax credit may only be claimed  
3 7 against the type of tax reflected on the certificate.

3 8 b. Receipts or assay reports provided by the biofuel  
3 9 manufacturer attached to the taxpayer's tax return as required  
3 10 by the office.

3 11 4. An individual may claim the tax credit allowed a  
3 12 partnership, limited liability company, S corporation, estate,  
3 13 or trust electing to have income taxed directly to the  
3 14 individual. The amount claimed by the individual shall be  
3 15 based upon the pro rata share of the individual's earnings  
3 16 from the partnership, limited liability company, S  
3 17 corporation, estate, or trust.

3 18 5. A tax credit in excess of the taxpayer's liability for  
3 19 the tax year may be credited to the tax liability for the  
3 20 following five years or until depleted, whichever is earlier.  
3 21 A tax credit shall not be carried back to a tax year prior to  
3 22 the tax year in which the taxpayer redeems the tax credit. A  
3 23 tax credit shall not be transferable to any other person other  
3 24 than the taxpayer's estate or trust upon the taxpayer's death.  
3 25 6. This section is repealed December 31, 2016.

3 26 Sec. 6. EFFECTIVE AND APPLICABILITY DATE. This Act takes  
3 27 effect January 1, 2011, and applies to tax years beginning on  
3 28 or after that date.

#### 3 29 EXPLANATION

3 30 This bill provides a residual biomass tax credit allowed  
3 31 against income taxes for individuals under Code chapter 422,  
3 32 division II, and businesses under Code chapter 422, division  
3 33 III. The purpose of the tax credit is to stimulate the  
3 34 increased use of residual cellulosic biomass as an input in  
3 35 the manufacture of a biofuel (a combustible liquid or gas  
4 1 derived from a biomass that alone or in combination with other  
4 2 compounds is capable of fueling an engine or the production of  
4 3 steam for industrial heating).

4 4 The amount of the tax credit is \$10 for each usable ton of  
4 5 residual cellulosic biomass containing less than 65 percent  
4 6 lignin, cellulose, or hemicellulose that is to be purchased by  
4 7 a biofuel manufacturer. The tax credit cannot exceed \$35,000  
4 8 per tax year.

4 9 The bill imposes certain conditions upon a taxpayer who  
4 10 must provide or arrange for the harvesting, storage, and  
4 11 delivery to a biofuel manufacturer of residual cellulosic  
4 12 biomass.

4 13 The bill provides that the taxpayer's tax return must  
4 14 include documentation including a tax credit certificate  
4 15 issued by the office of energy independence. The office must  
4 16 review and approve an application for a tax credit certificate  
4 17 according to its rules, and the taxpayer may be required to  
4 18 submit additional information with its tax return. The bill  
4 19 provides for how persons may claim a tax credit who are equity  
4 20 holders in a business. The bill also provides for the  
4 21 issuance of a tax credit certificate, and for tax credit to be  
4 22 carried forward.

4 23 This tax credit is eliminated on December 31, 2016.

4 24 The bill takes effect January 1, 2011, and applies to tax  
4 25 years beginning on or after that date.